

## **ITURAN LOCATION AND CONTROL LTD. PRESENTS RESULTS FOR THE SECOND QUARTER OF 2020**

**AZOUR, Israel – August 25, 2020** – Ituran Location and Control Ltd. (NASDAQ: ITRN), today announced its consolidated financial results for the second quarter of 2020.

### **Highlights of the second quarter of 2020**

- The results were impacted by the global Covid-19 pandemic;
- Revenue of \$53.3 million;
- Adjusted EBITDA was \$13.9 million, a decline of 9% on a sequential basis;
- Generated \$19.3 million in quarterly operating cash flow;
- Total subscribers reached 1,751,000 at the end of the quarter;

### **Management Comment**

**Eyal Sheratzky, Co-CEO of Ituran said,** “We are happy with Ituran’s second quarter results which were ahead of expectations, particularly given the unprecedented global macroeconomic situation with full shutdowns in the geographies that we operate in. We took early steps-reducing and matching expenses to the lower expected revenue level and placed focus on cash preservation. Our second quarter results demonstrate these efforts were successful. I would like to thank all Ituran’s employees around the world for their exceptional execution despite tremendous difficulties. It is an honor to work with such a great team.”

**Continued Sheratzky,** “The non-cash impairment in Road Track is an accounting effect mainly due to the sharp increase in the macro risk factors of the various countries in which Road Track operates and not related to Road Track’s long-term performance or outlook specifically. The increase in country risk caused an increase in the weighted average cost of capital (WACC) calculation, which lowered the valuation of this business on our balance sheet.”

“Excluding the non-cash impairment charges, Ituran remains profitable and continues to be cash generating. In fact, we had one of our strongest quarters of cash generation, with a positive operating cash flow of \$19.3 million. Ituran’s stability during this unprecedented global crisis, demonstrates the overall resilience of our business model,” **added Sheratzky.**

**Mr. Sheratzky concluded,** “The global uncertainty caused by the ongoing Corona pandemic is expected to continue for the immediate future. We will remain proactive and continue to align our expenses to expected revenue levels. Looking ahead, we therefore expect similar levels of performance in our third quarter results. Longer-term, given the challenges that we have already overcome, I am confident that Ituran will emerge this period a stronger and more efficient company. I believe that once we can all put this pandemic behind us, we will have an improved platform for long-term sustainable and profitable growth.”

## Second quarter 2020 Results

**Revenues** for the second quarter of 2020 were \$53.3 million, a decrease of 25% compared with revenues of \$71.2 million in the second quarter of 2019.

The lower revenue level was due to the impact of the Covid-19 pandemic on new car sales, particularly in Brazil, Israel and also in the other geographies in which Ituran operates. Furthermore, the higher average level of the US dollar exchange rate versus the Brazilian real during the quarter compared with the same period last year, reduced the overall revenue level in US dollar terms and had a negative impact on the revenue growth rate. **In local currency terms, second quarter revenue declined by 19% year-over-year.**

82% of revenues were from location-based service subscription fees and 18% were from product revenues.

Revenues from subscription fees were \$43.7 million, a decrease of 15% over second quarter 2019 revenues. **In local currency terms, subscription fees declined by 7% year-over-year.**

The subscriber base amounted to 1,751,000 as of June 30, 2020. This represents a decrease of 43,000 net, over that of the end of the prior quarter. During the quarter, there was a decline of 16,000 in the aftermarket subscriber base and a decline of 27,000 in the OEM subscriber base. Ituran expects the aftermarket subscriber base to resume growth on a net basis once the main impacts of the Covid-19 pandemic is over.

Product revenues were \$9.6 million, a decrease of 51% compared with that of the second quarter of 2019. The decline was primarily due to limited installations of Ituran's products due to the Covid-19 pandemic shutdown implemented in many of the geographies in which Ituran operates, during most of the second quarter.

**Gross profit** for the quarter was \$27.7 million (51.9% of revenues), a 17% decrease compared with gross profit of \$33.5 million (47.0% of revenues) in the second quarter of 2019.

The gross margin in the quarter on subscription revenues was 58.5%, compared with 56.4% in the second quarter of 2019. The gross margin on products was 21.8%, compared with 22.3% in the second quarter of 2019.

During the second quarter, Ituran's **operating expenses** were \$32.5 million. The operating expenses included a non-cash impairment charge of \$14.2 million, related to the acquisition of Road Track. Excluding the non-cash impairment charge, operating expenses amounted to \$18.3 million. This is compared with \$19.9 million in operating expenses in the second quarter of 2019 and \$20.9 million in the prior quarter.

**Operating loss** for the quarter was \$4.9 million. Excluding the above-mentioned non-cash impairment charge in the operating expenses, the operating income was \$9.3 million (17.5% of revenues). This is compared with \$13.6 million (19.1% of revenues) in the second quarter

of last year. This is a decline of 31% year-over-year. **In local currency terms, excluding the impairment, the operating income decline would have been 25% year over year.**

Adjusted EBITDA for the quarter was \$13.9 million (26.1% of revenues), which excludes the above-mentioned impairment charge, a decrease of 28% compared with \$19.4 million (27.2% of revenues) in the second quarter of last year. **In local currency terms, the decline would have been 20% year over year.**

It is noted that versus the prior quarter, the decline in adjusted EBITDA was 9%, in local currency terms the decline would have been only 2%, which was ahead of management's expectation of a 10-20% sequential decline in EBITDA versus the first quarter.

**Net loss** for the second quarter of 2020 was \$6.3 million or loss per share of \$0.30. Excluding the above-mentioned non-cash impairment charge and excluding a \$0.7 million financial gain due to a reduced minority liability related to the impairment of Road Track, net income for the quarter was \$7.2 million (13.4% of revenues) or fully diluted earnings per share of \$0.34. Net income excluding the impairment charges represent a decrease of 7% compared with \$7.7 million (10.8% of revenues) or fully diluted earnings per share of \$0.36 in the second quarter of last year. **In local currency terms, the gain would have been 1% year over year.**

**Cash flow from operations** for the second quarter of 2020 was \$19.3 million.

As of June 30, 2020, the Company had cash, including marketable securities, of \$57.2 million and debt of \$60.8 million, amounting to a net debt of \$3.6 million. This is compared with cash, including marketable securities, of \$54.3 million and debt of \$67.9 million, amounting to a net debt of \$13.6 million, as of December 31, 2019.

## Conference Call Information

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**The Company will also be hosting a conference call later today, August 25, 2020 at 9am Eastern Time.**

On the call, management will review and discuss the results, and will be available to answer investor questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls a few minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

**US Dial-in Number: 1 888 668 9141**  
**ISRAEL Dial-in Number: 03 918 0609**  
**CANADA Dial-in Number: 1 866 485 2399**  
**INTERNATIONAL Dial-in Number: +972 3 918 0609**

**at:**

**9:00am Eastern Time, 6:00am Pacific Time, 4:00pm Israel Time**



For those unable to listen to the live call, a replay of the call will be available from the day after the call in the investor relations section of Ituran's website.

*Certain statements in this press release are "forward-looking statements" within the meaning of the Securities Act of 1933, as amended. These forward-looking statements include, but are not limited to, our plans, objectives, expectations and intentions and other statements contained in this report that are not historical facts as well as statements identified by words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates" or words of similar meaning. These statements are based on our current beliefs or expectations and are inherently subject to significant uncertainties and changes in circumstances, many of which are beyond our control. Actual results may differ materially from these expectations due to changes in global political, economic, business, competitive, market and regulatory factors, as well as factors related to the global COVID-19 pandemic.*

## **About Ituran**

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Ituran is a leader in the emerging mobility technology field, providing value-added location-based services, including a full suite of services for the connected-car. Ituran offers Stolen Vehicle Recovery, fleet management as well as mobile asset location, management & control services for vehicles, cargo and personal security for the retail, insurance industry and car manufacturers. Ituran is the largest OEM telematics provider in Latin America. Its products and applications are used by customers in over 20 countries. Ituran is also the founder of the Tel-Aviv based DRIVE startup incubator to promote the development of smart mobility technology.

Ituran's subscriber base has been growing significantly since the Company's inception to approaching 2 million subscribers using its location based services with a market leading position in Israel and Latin America. Established in 1995, Ituran has approximately 3,000 employees worldwide, with offices in Israel, Brazil, Argentina, Mexico, Ecuador, Columbia, India, Canada and the United States.

For more information, please visit Ituran's website, at: [www.ituran.com](http://www.ituran.com)

### **Company Contact**

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